

First half results 2017

26 July 2017

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Highlights of the period

Net profit totalled €550 million in the first half of 2017

- Net profit amounted to €550 million in the first half of 2017, 14.7% less than in the same period of 2016.
- EBITDA amounted to €2,176 million, an 11.4% decrease on the first half of 2016 (6.6% in like-for-like terms, excluding Electricaribe). That reduction was concentrated in the Electricity business in Spain, whose performance was shaped by weather, as Gas Natural Fenosa's hydroelectric output declined by 77.3%.
- On 11 April 2017, €1,000 million of 7-year notes with an annual coupon of 1.125% were issued in the euromarket under the EMTN programme; they were paid for in April 2017. In parallel, Gas Natural Fenosa tendered for its notes maturing between 2018 and 2021, with the result that the new bonds were swapped for the redeemed bonds.
- On 17 May 2017, Gas Natural Fenosa, through subsidiary Gas Natural Fenosa Renovables, was awarded a total of 667 MW of wind capacity through an auction in Spain. The investment required to develop those projects and the awarded capacity is a maximum of €700 million.
- On 5 July 2017 Gas Natural Fenosa arranged a €450 million loan agreement with the European Investment Bank (EIB) with a term of 20 years and a vesting period of 4 years which will be used to finance part of the electricity distribution business and the development of renewable energy projects in Spain.
- On 17 July 2017 Gas Natural Fenosa arranged a loan with the Official Credit Institute (ICO) for €200 million with a term of 12 years and a vesting period of 2 years.
- As of 30 June 2017, the indebtedness ratio was 46.4%, i.e. slightly higher than the ratio in 2016 (45.7%), while the net financial debt/EBITDA ratio was 3.4, in line with 2016 (excluding Electricaribe).
- On 20 April 2017, the Shareholders' Meeting approved the distribution of income, consisting of allocating €1,001 million out of 2016 income to dividends, the same amount as in the preceding year, representing a 74.3% payout. That is a dividend of €1 per share, of which €0.330 per share was paid as an interim dividend in cash on 27 September 2016 and the remaining €0.670 per share was paid, also in cash, on 27 June 2017.
- The Board of Directors has approved an interim dividend for 2017 of €0.330 per share, to be paid entirely in cash on 27 September 2017.

1. Main aggregates

1.1. Main financial aggregates

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
5,833	5,455	6.9	Net sales	12,283	11,409	7.7
1,072	1,241	-13.6	EBITDA	2,176	2,457	-11.4
618	723	-14.5	Operating income	1,269	1,447	-12.3
252	316	-20.3	Net income	550	645	-14.7
611	763	-19.9	Cash flow from operations (CFO)	1,406	1,600	-12.1
-	-	-	Average number of shares (million)	1,001	1,001	-
-	-	-	Share price at 30/06 (€)	20.49	17.67	16.0
-	-	-	Market capitalisation at 30/06	20,504	17,677	16.0
-	-	-	Net profit per share* (€)	0.55	0.64	-14.1
419	365	14.8	Investments, net	740	622	19.0
-1,082	122	-	Net equity	18,246	18,793	-2.9
-902	33	-	Attributable net equity	14,609	14,575	0.2
354	15	-	Net interest-bearing debt (at 30/06)	15,818	15,832	-0.1

* Considering an average number of shares of 1,000,518,692 as at 30 June 2017 (1,000,689,341 as at 30 June 2016).

1.2. Ratios

		1H17	1H16
Leverage	%	46.4	45.7
EBITDA/ Cost of net interest-bearing debt	times	6.8	6.6
Net interest-bearing debt /EBITDA	times	3.4	3.1
P/E	times	16.4	12.7
EV/EBITDA	times	7.7	6.6

Note: Share performance and balance sheet at 30 June.

1.3. Key operating figures

Distribution

2Q17	2Q16	%		1H17	1H16	%
118,215	106,546	11.0	Gas distribution (GWh)	239,030	227,534	5.1
42,764	42,039	1.7	Europe	101,310	96,585	4.9
42,764	42,039	1.7	TPA ¹	101,310	96,585	4.9
75,451	64,507	17.0	Latin America	137,720	130,949	5.2
42,582	38,405	10.9	Gas sales	77,629	74,903	3.6
32,869	26,102	25.9	TPA	60,091	56,046	7.2
13,676	16,883	-19.0	Electricity distribution (GWh)	28,284	34,685	-18.5
8,405	8,318	1.0	Europe	17,333	17,250	0.5
623	611	2.0	Electricity sales	1,356	1,316	3.0
7,782	7,707	1.0	TPA	15,977	15,934	0.3
5,271	8,565	-38.5	Latin America (*)	10,951	17,435	-37.2
4,828	8,039	-39.9	Electricity sales	10,130	16,325	-37.9
443	526	-15.8	TPA	821	1,110	-26.0
3,521	3,602	-2.2	Electricity transmitted (GWh)	7,396	7,531	-1.8
3,521	3,602	-2.2	Latin America	7,396	7,531	-1.8
-	-	-	Gas distribution connections ('000) (at 30/06)	13,717	13,361	2.7
-	-	-	Europe	5,796	5,760	0.6
-	-	-	Latin America	7,921	7,601	4.2
-	-	-	Electricity distribution connections ('000) (at 30/06)	8,271	10,746	-23.0
-	-	-	Europe	4,595	4,565	0.7
-	-	-	Latin America (*)	3,676	6,181	-40.5
-	-	-	ICEIT in Spain (minutes)²	67	26	-

(*) 1H16 includes Electricaribe's contribution to the consolidated figures.

Gas business

2Q17	2Q16	%		1H17	1H16	%
76,576	66,199	15.7	Wholesale supply (GWh)	160,943	142,224	13.2
34,366	35,350	-2.8	Spain	74,802	72,836	2.7
16,834	14,929	12.8	Rest of Europe	37,275	35,324	5.5
25,376	15,920	59.4	International LNG	48,866	34,064	43.5
3,738	4,833	-22.7	Retail supply (GWh)	17,878	18,735	-4.6
20,720	28,136	-26.4	Gas transportation – EMPL³ (GWh)	49,433	52,299	-5.5

¹ Third-Party Access (electricity distributed). Includes TPA services in secondary transmission.

² Installed Capacity Equivalent Interruption Time.

³ Europe-Maghreb gas pipeline.

Electricity business

2Q17	2Q16	%		1H17	1H16	%
10,665	10,102	5.6	Electricity generated (GWh)	22,226	21,424	3.7
5,886	5,685	3.5	Spain	13,161	12,767	3.1
5,351	5,068	5.6	Generation	11,895	11,270	5.5
272	1,351	-79.9	Hydroelectric	737	3,244	-77.3
960	1,012	-5.1	Nuclear	2,185	2,104	3.8
1,163	414	-	Coal	2,832	936	-
2,956	2,291	29.0	CCGT	6,141	4,986	23.2
535	617	-13.3	Renewables and Cogeneration	1,266	1,497	-15.4
4,779	4,417	8.2	International	9,065	8,657	4.7
4,234	3,888	8.9	Mexico (CCGT)	7,925	7,509	5.5
83	125	-33.6	Mexico (wind)	306	387	-20.9
117	104	12.5	Costa Rica (hydroelectric)	196	170	15.3
20	20	-	Panama (hydroelectric)	38	33	15.2
254	241	5.4	Dominican Republic (oil-fired)	466	485	-3.9
71	39	82.1	Kenya (oil-fired)	134	73	83.6
-	-	-	Installed capacity (MW)	15,418	15,416	-
-	-	-	Spain	12,716	12,714	-
-	-	-	Generation	11,569	11,569	-
-	-	-	Hydroelectric	1,954	1,954	-
-	-	-	Nuclear	604	604	-
-	-	-	Coal	2,010	2,010	-
-	-	-	CCGT	7,001	7,001	-
-	-	-	Renewables and Cogeneration	1,147	1,145	0.2
-	-	-	International	2,702	2,702	-
-	-	-	Mexico (CCGT)	2,035	2,035	-
-	-	-	Mexico (wind)	234	234	-
-	-	-	Costa Rica (hydroelectric)	101	101	-
-	-	-	Panama (hydroelectric)	22	22	-
-	-	-	Dominican Republic (oil-fired)	198	198	-
-	-	-	Kenya (oil-fired)	112	112	-

2. Analysis of consolidated results

The main details of the income statement are as follows:

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
5,833	5,455	6.9	Net sales	12,283	11,409	7.7
1,072	1,241	-13.6	EBITDA	2,176	2,457	-11.4
618	723	-14.5	Operating income	1,269	1,447	-12.3
-174	-216	-19.4	Net financial income	-347	-415	-16.4
7	-2	-	Profit/(loss) of entities recognised by the equity method	7	-11	-
-106	-119	-10.9	Income tax expense	-218	-240	-9.2
-93	-95	-2.1	Non-controlling interests	-161	-166	-3.0
252	316	-20.3	Net income	550	645	-14.7

2.1. Changes in consolidation scope and other material transactions

Throughout 2016, Electricaribe, a company owned 85.38% by Gas Natural Fenosa, experienced severe liquidity stress as a result of the actions and omissions of the Republic of Colombia. On 14 November 2016 the Superintendence for Residential Public Services of the Republic of Colombia (“the Superintendence”) ordered the intervention of Electricaribe, and the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence, with the result that, at the end of December 2016, Gas Natural Fenosa had lost control and any power to have a significant influence on Electricaribe. Subsequently, on 11 January 2017, the Superintendence extended this government take-over until 14 March 2017 and, on the latter date, it announced the decision to liquidate the company Electricaribe.

On 22 March 2017, Gas Natural Fenosa presented the pertinent documentation to initiate arbitration proceedings before the United Nations Commission on International Trade Law (UNCITRAL) in order to recover the company with a viable regulatory framework or, barring that, obtain compensation based on the fair value of the company, estimated at over \$1,000 million. A formal request has been made for arbitration before the UNCITRAL Tribunal, which, like the World Bank’s ICSIC, is envisaged as an appropriate venue for settling differences under the bilateral agreement between Colombia and Spain on promotion and reciprocal protection of investments.

On 31 December 2016, Gas Natural Fenosa ceased to consolidate Electricaribe and, in line with the requirements of the applicable accounting standard, IFRS 10, it derecognised its assets, liabilities and non-controlling interests for an amount of €475 million. In addition, under IAS 39, the investment in Electricaribe has been recognised at fair value (€475 million) under available-for-sale financial assets. Since the investment in Electricaribe involves unlisted equity instruments for which no quoted share price is available, it has been valued using a prudent approach. However, Gas Natural Fenosa believes that the final amount that may reasonably be expected to be recognised by the agencies and courts that may decide on the applicable price or indemnity based on fair market value will be higher than the figure mentioned above.

2017

There have been no significant changes in the consolidation scope in the first half of 2017.

2016

On 18 December 2015, Gas Natural Fenosa, which, through CGE, owned a 56.62% controlling stake in Chilean company Gasco, S.A., signed an agreement with a group of shareholders that owned 22.4% of Gasco, S.A., referred to as the Pérez Cruz family, to demerge Gasco, S.A. into two companies, one focused on the natural gas business, to remain under the control of Gas Natural Fenosa, and the other focused on the liquefied petroleum gas (LPG) business, which would be controlled by the Pérez Cruz family. Once the split had been completed, on 6 July 2016, each of the parties made a tender offer to acquire 100% of its company in order to pursue its respective business independently. On 8 August 2016, Gas Natural Fenosa announced the sale of the shares of Gasco, S.A. which it owned through subsidiaries for a total amount of 160,197 million Chilean pesos (€220 million), i.e. a capital gain of €4 million, and that the takeover bid for Gas Natural Chile, S.A. had been successful, since it had acquired an additional 37.88% of that company's capital for a total of 223,404 million Chilean pesos (€306 million). As a result, Gas Natural Fenosa's controlling stake in Gas Natural Chile, S.A. reached 94.50%.

In April 2016, Unión Fenosa Gas (a company recognised by the equity method) sold to the Galicia Regional Government and the Tojeiro Group, through Gasifica, S.A., its 21.0% stake in Regasificadora del Noroeste, S.A. (Reganosa) for €28 million, which resulted in a capital gain of €1 million, net of taxes, for Gas Natural Fenosa.

In June 2016, Unión Fenosa Gas reached an agreement to sell its 42.5% stake in Planta de regasificación de Sagunto, S.A. (Saggas), held through Infraestructuras de Gas S.A., to Enagás for €106 million. This transaction was completed in July 2016, providing Gas Natural Fenosa with a capital gain, net of taxes, of €21 million.

On 29 June 2016, Gas Natural Fenosa, through the company Aproveisionadora Global de Energía (AGESA), a subsidiary of Gas Natural Chile, S.A., concluded an agreement with Enagás for the sale of 20.0% of GNL Quintero, S.A. (Chile) for USD 200 million, which, following the adjustments for dividends at the closing date, amounted to USD 197 million (€182 million). The operation was concluded in November 2016 and resulted in a capital gain of €128 million before taxes and non-controlling interests, or €50 million net.

On 29 July 2016, Gas Natural Fenosa completed the purchase of 100% of the Irish gas and electricity supply company Vayu Limited (Vayu) under the new strategic plan which envisages growth in the energy supply business in Europe. This transaction complements its existing position in other European markets (France, Italy, Belgium, Netherlands, Portugal, Germany and Luxembourg) and will enable it to engage in LNG trading and operations. Vayu has a 15% share of gas supply to large industrial and commercial customers in Ireland, and around 6% of the electricity supply market.

2.2. Analysis of results

2.2.1. Net sales

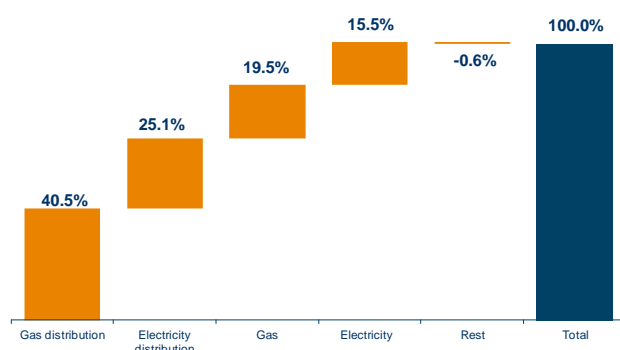
Net sales totalled €12,283 million in the first half of 2017, a 7.7% increase with respect to the same period of 2016, due basically to higher volumes and prices in the gas business compared with the same period of the previous year, and to the currency effect.

2.2.2. EBITDA and operating income

Consolidated EBITDA in the first half amounted to €2,176 million, €281 million (11.4%) less than in the same period of 2016. Nevertheless, the first half of 2017 does not include the figures for Electricaribe; consequently, in like-for-like terms, the reduction would be just 6.6%.

Foreign currency fluctuations in consolidation had a positive impact on EBITDA in the first half of 2017 amounting to €45 million with respect to the same period of 2016, mainly due to appreciation of the Brazilian real and the Chilean peso.

Contribution to EBITDA by business



The chart illustrates the business lines' contributions to consolidated EBITDA, showing an appropriate degree of diversification, including a notable contribution by gas distribution (40.5% of the consolidated total), followed by electricity distribution (25.1%), the gas business (19.5%) and the electricity business (15.5%).

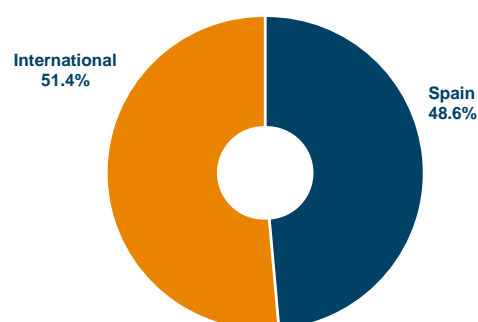
EBITDA from Gas Natural Fenosa's international activities increased by 1.3% to account for 51.4% of the consolidated total, compared with 45.0% in the same period of last year. EBITDA from operations in Spain fell by 21.8% and declined as a share of the consolidated total to 48.6%.

Depreciation and amortisation charges and impairment losses in 1H17 amounted to €843 million, a 2.9% decrease year-on-year, mainly due to extending the useful lives of the combined cycle plants from 25 to 35 years.

Provisions for bad debts amounted to €64 million, compared with €142 million in 2016; this reduction is due basically to deconsolidating Electricaribe.

Operating income in the first half of 2017 declined by €178 million (12.3%) with respect to the same period of 2016, to €1,269 million; in like-for-like terms (i.e. excluding Electricaribe), the reduction was 10.4%.

Contribution to EBITDA by geography



2.2.3. Net financial income

The breakdown of financial result is as follows:

2Q17	2Q16	(€ Mn)	1H17	1H16
-158	-188	Cost of net interest-bearing debt	-320	-374
-20	-32	Other financial expenses/revenues	-34	-49
4	4	Financial income - Costa Rica ¹	7	8
-174	-216	Net financial income	-347	-415

¹ Power generation concessions in Costa Rica are recognised as financial assets in accordance with IFRIC 12.

The cost of net interest-bearing debt in the first half of 2017 was €320 million, i.e. lower than in the same period of 2016 due to deconsolidating Electricaribe and to the lower coupons on new debt issued to refinance maturing debt.

The average cost of gross financial debt is 3.7%, and 80% of the net debt is at fixed rates.

2.2.4. Profit/(loss) of entities recorded by the equity method

Equity-accounted affiliates contributed €7 million in earnings in the first half of 2017 (-€11 million in the same period of 2016) due to the positive contribution by Ecoeléctrica in Puerto Rico and by other holdings (Chile and renewables), which was partly offset by the negative result contributed by the Union Fenosa Gas subgroup.

2.2.5. Income tax expense

The effective tax rate as of 30 June 2017, based on the best estimate of the effective tax rate for the full year, was 23.5%, the same as one year earlier.

2.2.6. Non-controlling interest

The main items in this account are the non-controlling interests in EMPL, International Electricity, gas distribution companies in Chile, Brazil, Colombia and Mexico, and electricity distribution companies in Chile and Panama, as well as accrued interest on perpetual subordinated notes.

Income attributed to non-controlling interests amounted to -€161 million in 1H17, in line with the 2016 figure of -€166 million.

2.2.7. Net income

Net income amounted to €550 million, a reduction of 14.7% with respect to the same period of 2016.

3. Balance sheet and cash flow

The key balance sheet figures are as follows:

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
-800	298	-	Property, plant and equipment and intangible assets	33,663	34,216	-1.6
354	15	-	Net interest-bearing debt	15,818	15,832	-0.1
-1,082	122	-	Net equity	18,246	18,793	-2.9
-902	33	-	Attributable net equity	14,609	14,575	0.2

3.1. Investments

The breakdown of net investments by type is as follows:

(€ Mn)	1H17	1H16	%
Capital expenditure and intangible assets	737	629	17.2
Financial investments	27	26	3.8
Total gross investments	764	655	16.6
Disposals and others	-24	-33	-27.3
Total net investments	740	622	19.0

Investments in property, plant and equipment and intangible assets amounted to €737 million in 1H17, a 17.2% increase with respect to 1H16, due basically to greater investment in gas and electricity distribution in Latin America and in the electricity business.

Capital expenditure and intangible assets, by activity

(€ Mn)	1H17	% contribution	1H16	% contribution	% change
Gas Distribution	252	34.2	257	40.9	-1.9
Spain	82	11.1	132	21.0	-37.9
Italy	15	2.0	13	2.1	15.4
Latin America	155	21.0	112	17.8	38.4
Electricity Distribution	286	38.8	252	40.1	13.5
Spain	106	14.4	106	16.9	-
Moldova	3	0.4	2	0.3	50.0
Latin America	177	24.0	144	22.9	22.9
Gas	30	4.1	14	2.2	-
Infrastructure	5	0.7	2	0.3	-
Supply	25	3.4	12	1.9	-
Electricity	143	19.4	76	12.1	88.2
Spain	53	7.2	39	6.2	35.9
International	90	12.2	37	5.9	-
Rest	26	3.5	30	4.8	-13.3
Total capital expenditure and intangible assets	737	100.0	629	100.0	17.2

The electricity distribution business accounts for 38.8% of the consolidated total, is the main target of capital expenditure, and expanded by 13.5% with respect to the same period of 2016. The electricity distribution business in Latin America accounts for 24.0% of the consolidated total and expanded by 22.9%, basically as a result of the increase in Chile.

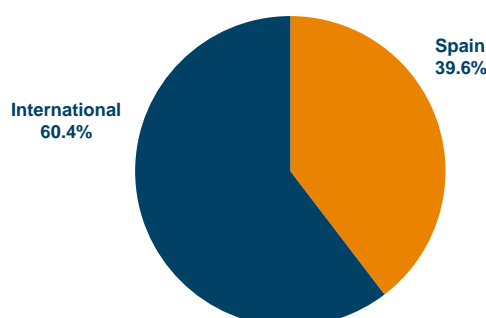
Gas distribution accounts for 34.2% of the consolidated total and declined by 1.9% with respect to the same period of the previous year. Gas distribution in Latin America accounts for 21.0% of the consolidated total and increased by 38.4% with respect to the same period of 2016, as both maintenance and network growth investment increased in all countries.

The electricity business accounts for 19.4% of the consolidated total. Capital expenditure in Spain increased by 35.9% with respect to the same period of 2016, basically due to investment in new wind projects in the Canary Islands. Investment in International Electricity increased by 143.2%, mainly due to the development of photovoltaic projects in Brazil.

Investment in property, plant and equipment and intangible assets, by region

Capital expenditure outside Spain increased by 41.7% to account for 60.4% of the total (vs. 49.9% in the same period of 2016).

Investment in Spain declined by 7.3%, and its share declined to 39.6%, compared with 50.1% in 2016.



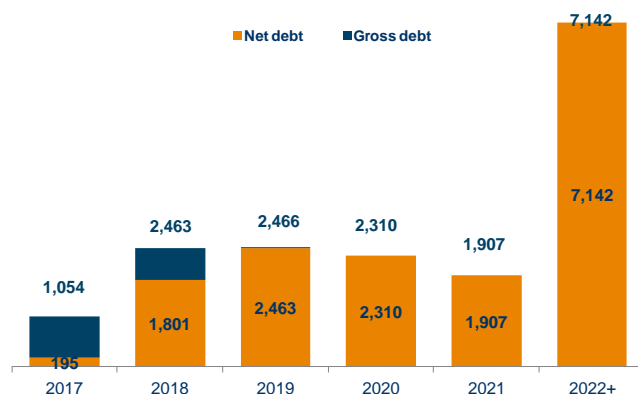
3.2. Debt and finance management

3.2.1. Interest-bearing debt

At 30 June 2017, net interest-bearing debt amounted to €15,818 million and leverage was 46.4% (€15,832 million and 45.7% at 30 June 2016).

The net interest-bearing debt/EBITDA ratio was 3.4 and the EBITDA/cost of net interest-bearing debt ratio was 6.8 at 30 June 2017, evidencing that the company maintained its credit fundamentals stable with respect to the preceding year.

Maturity of financial debt (€ Mn)



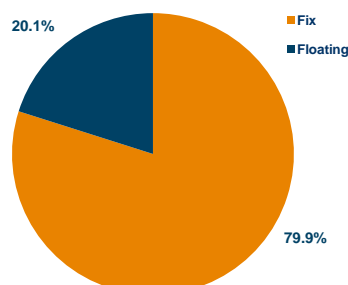
A total of 87.4% of the net interest-bearing debt matures in or after 2019. The average term of the debt is 5.6 years.

The figure shows Gas Natural Fenosa's net and gross debt maturity calendar at 30 June 2017. Gross debt amounted to €17,342 million.

Of the net financial debt, 8.5% is short term and the other 91.5% is long term.

Structure of net interest-bearing debt

Having consideration for the impact of financial hedges, most of the debt is at fixed rates:



The breakdown of net interest-bearing debt by currency at 30 June 2017, in absolute and relative terms, is as follows:

(€ Mn)	30/06/17	%
EUR	12,693	80.2
CLP	1,506	9.5
USD	921	5.8
MXN	316	2.0
BRL	277	1.8
COP	97	0.6
Others	8	0.1
Net interest-bearing debt	15,818	100.0

3.2.2. Liquidity

At 30 June 2017, cash and cash equivalents together with available bank finance totalled €9,607 million, providing the company with sufficient liquidity to cover its debt maturities for more than 24 months, with the following breakdown:

Liquidity sources (€ Mn)	Limit	Drawn	Undrawn
Committed credit lines	7,656	469	7,187
Uncommitted credit lines	506	43	463
Undrawn loans	502	-	502
Cash and cash equivalents	-	-	1,455
Total	8,664	512	9,607

Additionally, at 30 June 2017, the company had €6,207 million available in the form of shelf registrations for financial instruments, including €3,895 million in the Euro Medium Term Notes (EMTN) programme; €500 million in the Euro Commercial Paper (ECP) programme; and a combined €1,812 million in the stock market certificates programmes on the Mexico Stock Exchange, the commercial paper programme on the Panama Exchange, the straight bonds programme in Colombia and the bond lines in Chile.

3.2.3. Main financial transactions

As part of the ongoing process of optimising interest-bearing debt, on 11 January 2017 Gas Natural Fenosa, through its Euro Medium Term Notes (EMTN) programme, issued notes amounting to €1,000 million, maturing in January 2027, with an annual coupon of 1.375%.

To that same end, €3,624 million in bilateral bank loans were renegotiated during the period, referring €684 million to loans and the rest to credits.

In April 2017 Gas Natural Fenosa issued bonds under its EMTN programme amounting to €1,000 million maturing in seven years and with a coupon of 1.125%. This amount was used to implement the repurchase of debentures for €1,000 million maturing in 2018, 2020 and 2021.

After the closing date some other transactions have been signed, including two long-term transactions with institutional banks: one maturing in 20 years with 4 years of vesting period and amounting to €450 million with European Investment Banks (EIB) and the other maturing in 12 years with 2 years of vesting period amounting to €200 million with the Official Credit Institute (ICO).

Transactions amounting to €657 million were performed in Latin America, including notably a €196 million (MXN 4,000 million) 3- and 5-year debt issue in Mexico, and a €105 million (USD 120 million) 5-year issue in Panama.

For the purposes of managing interest rates, to complement the debt originated at fixed rates, long-term interest rate hedges have been arranged in order to have 80% of the debt at fixed rates.

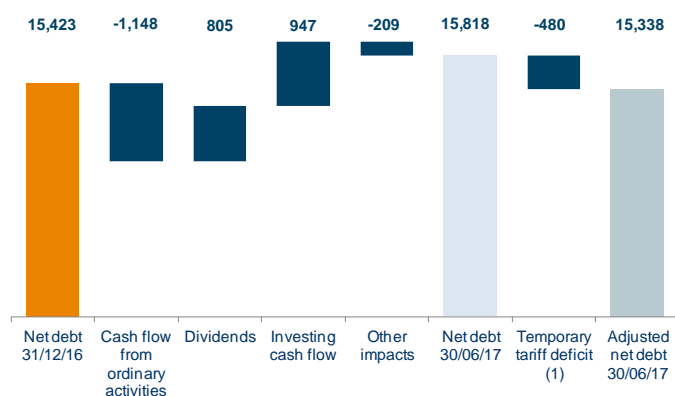
3.2.4. Credit rating

The accompanying table shows the credit rating of Gas Natural Fenosa's long-term and short-term debt:

Agency	Short term	Long term
Fitch	F2	BBB+
Moody's	P-2	Baa2
Standard & Poor's	A-2	BBB

3.3. Cash flows

The cash flow and reconciliation of net interest-bearing debt in the first half of 2017 are as follows:



⁽¹⁾ Includes €93 million of the electricity tariff deficit and €387 million of the gas tariff deficit (2014: €324 million, 2015: €9 million, 2016: €38 million and 2017: €16 million).

Other impacts reflect conversion differences and other effects.

3.4. Equity and shareholder remuneration

The distribution of 2016 income approved by the Shareholders' Meeting on 20 April 2017 entailed allocating €1,001 million to dividends, the same amount as in 2016. That represents a dividend of €1 per share and a pay-out of 74.3%, i.e. a dividend yield of 5.6% based on the share price on 31 December 2016 (€17.91).

An interim dividend amounting to €0.330 per share out of 2016 earnings was paid entirely in cash on 27 September 2016, and the remaining €0.670 per share was paid, also in cash, on 27 June 2017.

The Board of Directors has approved an interim dividend for 2017 of €0.330 per shares, to be paid entirely in cash on 27 September 2017.

At 30 June 2017, Gas Natural Fenosa's shareholders' equity totalled €18,246 million. Of that total, €14,609 million is attributable to Gas Natural Fenosa.

4. Analysis of results by activity

The criteria used to assign amounts to the activities are as follows:

- › All revenues and expenses relating directly and exclusively to a specific business activity are allocated directly to it.
- › The margin on intercompany transactions is allocated on the basis of the market which is the final destination of the sale.
- › Corporate expenses and revenues are assigned on the basis of their use by the individual business lines.

4.1. Gas distribution

4.1.1. Spain

This area includes gas distribution, third-party access (TPA), the activities in Spain that are charged for outside the regulated distribution remuneration (meter rental, customer connections, etc.), and the piped liquefied petroleum gas (LPG) business.

4.1.1.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
306	286	7.0	Net sales	638	581	9.8
-14	-2	-	Purchases	-50	-9	-
-20	-20	-	Net personnel expenses	-39	-39	-
-58	-55	5.5	Other revenues and expenses	-110	-109	0.9
214	209	2.4	EBITDA	439	424	3.5
-72	-72	-	Depreciation, amortisation and impairment expenses	-148	-144	2.8
-4	-	-	Change in operating provisions	-4	-	-
138	137	0.7	Operating income	287	280	2.5

Net sales in the gas distribution business totalled €638 million, €57 million more than in the same period last year, due basically to the LPG business, which completed the acquisition of distribution points in the fourth quarter of 2016.

The increase in the LPG business required a larger number of shiploads to meet the higher demand.

These factors, coupled with the positive impact of efficiency measures on operating expenses, resulted in a 3.5% increase in EBITDA.

4.1.1.2. Main aggregates

The main aggregates in gas distribution in Spain were as follows:

2Q17	2Q16	%		1H17	1H16	%
42,255	41,531	1.7	Gas sales - TPA (GWh)	98,913	94,396	4.8
21,401	5,623	-	LPG sales (ton)	85,223	14,064	-
214	245	-12.7	Distribution network (km)	53,042	51,694	2.6
18	16	12.5	Change in connection points ('000)	23	36	-36.1
-	-	-	Connection points ('000) (at 30/06)	5,336	5,302	0.6

Regulated gas sales increased by 4.8% (+4,517 GWh).

Residential demand was 1,499 GWh (6%) lower than in the same period of 2016.

Demand growth was concentrated in the industrial market. Demand under 60 bars increased by 8% (+3,715 GWh). Demand for transportation and industrial consumption over 60 bar increased by 10% (+2,301 GWh).

The growth in LPG sales was due to the acquisition of supply connections from Repsol in the fourth quarter of 2016.

In the first half of 2017, the distribution network expanded by 1,086 km.

4.1.2. Italy

This area refers to regulated gas distribution in Italy.

4.1.2.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
22	22	-	Net sales	43	43	-
-	-	-	Purchases	-	-	-
-3	-3	-	Net personnel expenses	-6	-6	-
-4	-4	-	Other revenues and expenses	-8	-8	-
15	15	-	EBITDA	29	29	-
-6	-6	-	Depreciation, amortisation and impairment expenses	-12	-12	-
-	-	-	Change in operating provisions	-	-	-
9	9	-	Operating income	17	17	-

EBITDA amounted to €29 million, in line with the same period of 2016, since remuneration was stable in 2017 following the update in WACC recognised by the Italian regulator in 2016 as a result of the decline in the risk-free rate.

4.1.2.2. Main aggregates

2Q17	2Q16	%		1H17	1H16	%
509	508	0.2	Gas sales - TPA (GWh)	2,397	2,189	9.5
15	34	-55.9	Distribution network (km)	7,291	7,210	1.1
-	-	-	Connection points ('000) (at 30/06)	460	458	0.4

A total of 2,397 GWh of gas were distributed, i.e. 9.5% more than in 2016, due to favourable weather conditions.

The distribution grid expanded by 26 km in the last six months, to 7,291 km at 30 June 2017.

Gas Natural Fenosa has 460,340 gas distribution connection points in Italy, a slight increase with respect to the previous year.

4.1.3. Latin America

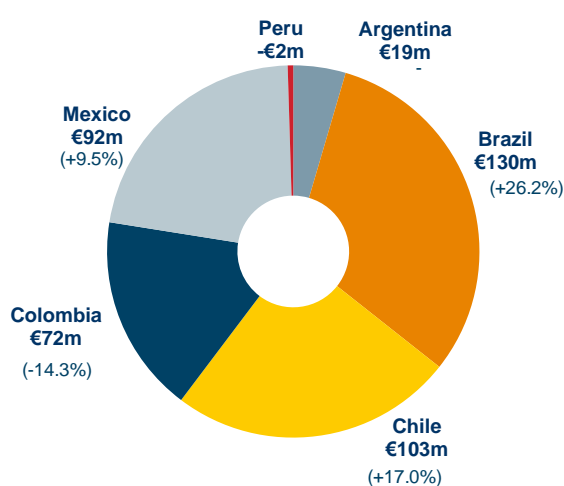
This division involves regulated gas distribution in Argentina, Brazil, Chile, Colombia, Mexico and Peru. In Chile, it also includes the gas procurement and supply business.

4.1.3.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
1,231	900	36.8	Net sales	2,263	1,765	28.2
-863	-572	50.9	Purchases	-1,606	-1,185	35.5
-35	-31	12.9	Net personnel expenses	-68	-60	13.3
-92	-79	16.5	Other revenues and expenses	-175	-143	22.4
241	218	10.6	EBITDA	414	377	9.8
-44	-39	12.8	Depreciation, amortisation and impairment expenses	-88	-79	11.4
-9	-8	12.5	Change in operating provisions	-13	-13	-
188	171	9.9	Operating income	313	285	9.8

Revenues increased by 28.2% to €2,263 million, affected by appreciation of the main Latin American currencies.

EBITDA in Latin America, by country



EBITDA amounted to €414 million, an increase of 9.8% with respect to the same period of the previous year, impacted by currency performance in Argentina (-6.7%), Mexico (-4.4%), Colombia (9.2%), Brazil (16.6%) and Chile (7.1%). Excluding the effect of currency fluctuations, EBITDA would have increased by 3.4%.

The figure shows gas distribution EBITDA in Latin America, by country, and the variation with respect to the same period of 2016.

Brazil contributed 31.4% of total EBITDA. Adjusting for the currency effect, EBITDA increased by 7.8%. Dispatching and TPA for thermal power plants was 2.3% higher than in the second quarter of 2016, while gas sales in the residential-commercial market were down 3.1% year-on-year. In contrast, the change in trend in the industrial sector with respect to 2016 persisted in the second quarter, with 6.8% growth; additionally, sales of automotive natural gas increased by 11.1% year-on-year as it proved more competitive than liquid fuels.

Mexico accounted for 22.2% of total EBITDA in this business. Excluding the exchange rate effect, Mexico's EBITDA increased by 15.4%, and the sales margin increased by 16.7%, with growth in all markets.

EBITDA in Colombia amounted to €72 million, a 22.9% decline year-on-year (excluding the exchange rate effect) as a result of the lower commercialisation margin in the secondary market. This market registered atypically good performance in the first half of 2016 due to the El Niño phenomenon, which produced a sharp decline in hydroelectric output.

Chile contributed €103 million in EBITDA (+12.1% at constant exchange rates), basically due to an increase in the volume of sales in the residential-commercial segment, i.e. 24.9% of total EBITDA from Latin America.

EBITDA in Argentina amounted to €19 million, in line with the same period of 2016, following the entry into force on 1 April 2017 of a new tariff table for all markets, even though the new tariff will be implemented in three stages. Excluding the currency effect, EBITDA would have increased by 10.1%. Overall sales volumes increased by 7.0% in the first half, concentrated particularly in the TPA market, which registered 6.5% growth.

4.1.3.2. Main aggregates

2Q17	2Q16	%		1H17	1H16	%
75,451	64,507	17.0	Gas activity sales (GWh)	137,720	130,949	5.2
42,582	38,405	10.9	Gas sales	77,629	74,903	3.6
32,869	26,102	25.9	TPA	60,091	56,046	7.2
547	1,310	-58.2	Distribution network (km)	83,689	81,866	2.2
79	85	-7.1	Change in connection points ('000)	148	153	-3.3
79	85	-7.1	Connection points ('000) (at 30/06)	7,921	7,601	4.2

The key physical aggregates by country in 2017 are as follows:

	Argentina	Brazil	Chile	Colombia	Mexico	Total
Gas activity sales (GWh)	34,880	37,197	23,611	13,245	28,787	137,720
Change vs. 1H16 (%)	7.0	4.4	0.8	-5.5	13.8	5.2
Distribution network (km)	25,749	7,382	7,092	22,081	21,385	83,689
Change vs. 30/06/2016 (km)	175	73	195	431	949	1,823
Connection points ('000) (at 30/06)	1,642	1,058	593	2,912	1,716	7,921
Change vs. 30/06/2016 ('000)	22	48	24	110	116	320

There were a total of 7.921 million gas distribution connections at 30 June 2017. Customer numbers increased by 320 thousand year-on-year, notably in Colombia and Mexico.

Sales in the gas activity in Latin America, which includes both gas sales and TPA (third-party access) services, totalled 137,720 GWh, i.e. higher than the same period of 2016, particularly due to higher sales in Mexico.

The distribution grid expanded by 1,823 km (+2.2%) in the last 12 months, to 83,689 km at the end of June 2017. This sizeable expansion is attributable most notably to Mexico, which added 949 km, and Colombia, which added 431 km.

Highlights in the region during the year:

- › In Argentina, after a year of intense negotiations, the new tariffs arising from the Integral Tariff Review (RTI) were applied on 1 April 2017. The tariff tables were approved on 31 March 2017 by Resolution 4.354 of ENARGAS, which announced the RTI outcome for Gas Natural BAN.

The outcome of the Integral Tariff Review process includes a major investment plan that entails a significant change in the scale of this business; the plan is already being implemented.

The new tariff will be phased in over three stages, and will be adjusted for inflation every six months. The first stage commenced on 1 April 2017; the second will begin on 1 December 2017 and will include the first inflation adjustment; the third stage, which will also include an inflation adjustment, will commence in April 2018.

Completion of the RTI process and application of the new tariffs will normalise the company in economic and financial terms.

- › In Brazil, new residential-commercial customer additions declined by 2.1% year-on-year in the first half due to large number of additions of new buildings in 2016 on the occasion of the Olympic Games. Sales increased by 4.4% due to the higher sales of automotive natural gas, which expanded by 11.1% as this fuel was more competitive than liquid fuels and also because of the increase in vehicle conversions in the period; sales to the industrial market grew by 6.8% against the backdrop of a macroeconomic recovery, while the power generation and TPA market expanded by 2.3% due to the greater utilisation of thermal power plants. In contrast, sales in the residential and commercial market declined by 3.1%, mainly as a result of lower consumption by large retailers.
- › In Colombia, gas and TPA sales declined by 5.5% year-on-year, due mainly to an 8.4% decline in the industrial market as a result of the atypical sales volume in the secondary market in the first six months of 2016. Residential-commercial customer numbers increased by 50,057 net in the first half of 2017, which represented a 13.0% decrease year-on-year, basically in the new building segment, as a result of the deceleration in building completion caused by the market contraction.

In relation to the unregulated businesses in Colombia they experienced a 5.8% decrease in margins with respect to the first half of 2016. The energy solutions business shrank by 34.9% due to negative performance by mobility products, partly offset by a 36.7% improvement in the margin in the residential and SME market, basically due to the product Servigas.

- › Mexico continued to implement the growth acceleration plan, having increased customer numbers by 8% and made progress in all segments in the first half of the year. Gas sales increased by 13.8%, mainly in the TPA market, while the industrial market expanded by 7.9% due to growth in customer numbers and sales; in contrast, consumption in the residential-commercial market shrank by 2.7%.

As part of the ongoing energy reform, in December 2016 the company was granted a concession to distribute gas in the Mexico Valley area (Cuautitlán-Texcoco-Hidalgo). This area adjoins Mexico City and will enable gas to be distributed in a market close to the existing grid. Commercialisation commenced this year and customer numbers are expected to reach 125,000 within five years.

- › The number of supply connections in Chile increased by 24 thousand, including growth in the residential-commercial (4.1%) and industrial (0.6%) segments with respect to the first half of 2016. As for gas sales and TPA, the strongest growth was observed in the residential-commercial (6.9%) and industrial (3.4%) segments, while TPA sales declined by 0.6% year-on-year.

The new Gas Law, promulgated in February 2017, filled a legal vacuum by reducing the uncertainties surrounding investment, thereby allowing the distribution business to expand and providing for an increase in natural gas use in Chile, which was one of the main objectives of Chile's Energy Agenda and Energy Policy, both drawn up following work directed by the Ministry of Energy.

In this context of legal certainty, the aggressive expansion plan has been stepped up since February 2017, with a substantial increase in investment in established territories, where the goal is to increase saturation, and the introduction of gas to new regions throughout the country.

Work in 2017 will be focused on central and southern areas in order to double new customer additions to approximately 20,000 more new supply connections than in a standard year.

- › In Peru, the company continues development work after rescheduling the beginning of commercial operations (originally planned for the third quarter of the year), which depends on completion of construction of the gas terminal.

As a result of the concession awarded in July 2013, Gas Natural Fenosa will supply energy to an area in south-west Peru that is not yet connected to the gas grid, where it expects to supply over 80,000 households.

4.2. Electricity distribution

4.2.1. Spain

The electricity distribution business in Spain includes regulated distribution of electricity and network services for customers, basically connections and hook-ups, metering and other actions associated with third-party access to Gas Natural Fenosa's distribution network.

4.2.1.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
209	206	1.5	Net sales	420	416	1.0
1	-	-	Purchases	-	-	-
-18	-23	-21.7	Net personnel expenses	-50	-45	11.1
-33	-32	3.1	Other revenues and expenses	-68	-68	-
159	151	5.3	EBITDA	302	303	-0.3
-57	-54	5.6	Depreciation, amortisation and impairment expenses	-113	-110	2.7
1	1	-	Change in operating provisions	-	-	-
103	98	5.1	Operating income	189	193	-2.1

The Ministerial Order on electricity tolls for 2017 (ETU/1976/2016) establishes that, until the approval of the remuneration for transmission and distribution for 2017 under the provisions of Royal Decree 1047/2013, of 27 December, and Royal Decree 1048/2013, of 27 December, the remuneration established in Order IET/981/2016 and Order IET/980/2016, which established the remuneration for electricity transmission and distribution companies for 2016, will be paid pro rata.

Net revenues amounted to €420 million, i.e. 1.0% more than in the same period of 2016, due to application of the aforementioned Ministerial Orders and to the accrual of investments that were brought into operation.

EBITDA amounted to €302 million in the first half of 2017, a 0.3% decline with respect to the same period of 2016, due to the 11.1% increase in net personnel expenses caused by the implementation of business efficiency measures that will have a positive impact in subsequent periods.

4.2.1.2. Main aggregates

2Q17	2Q16	%		1H17	1H16	%
7,782	7,707	1.0	Electricity sales - TPA (GWh)	15,977	15,934	0.3
-	-	-	Connections ('000) (at 31/03)	3,712	3,692	0.5
-	-	-	ICEIT (minutes)	67	26	-

Electricity supplied in the first half of 2017 was in line with the same period of 2016, due to the warm weather. Domestic demand amounted to 123,313 GWh in the first half, a 1.2% increase, according to figures from Red Eléctrica de España (REE).

The number of supply points increased by 10,492 net in the first half of 2017.

The ICEIT outage indicator increased sharply with respect to 2016 due to storms in Galicia in February 2017, where wind speeds reached 178 km/hour, with close to 400,000 customers being affected at times. This effect was mitigated by good ICEIT performance in the second quarter. Galicia accounted for 89% of Gas Natural Fenosa's total outage time.

As of 30 June 2017, smart meters accounted for 92% of the total, and 87% of meter readings are performed on a remote basis. The plan is to achieve 100% smart meters and remote readings in the residential market in 2018.

4.2.2. Moldova

The business in Moldova includes regulated distribution of electricity and the supply of electricity at the regulated tariff in the capital city and the central and southern regions. Gas Natural Fenosa is responsible for 70% of electricity distribution in Moldova.

4.2.2.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
44	50	-12.0	Net sales	110	119	-7.6
-35	-34	2.9	Purchases	-84	-86	-2.3
-2	-1	-	Net personnel expenses	-4	-3	33.3
-3	-3	-	Other revenues and expenses	-6	-5	20.0
4	12	-66.7	EBITDA	16	25	-36.0
-2	-2	-	Depreciation, amortisation and impairment expenses	-3	-3	-
-	-	-	Change in operating provisions	-	-	-
2	10	-80.0	Operating income	13	22	-40.9

Net revenues reflect the pass-through effect of procurement costs together with the capital expenditure and operation and maintenance work performed in accordance with the country's current regulations.

The decline in EBITDA in the first half of 2017 is due to the regulator's adjustment to investments made in 2015 in the tariff approved in March 2017 and to the reform of the distribution tariff methodology applied from May onwards.

4.2.2.2. Main aggregates

2Q17	2Q16	%		1H17	1H16	%
623	611	2.0	Electricity activity sales (GWh)	1,356	1,316	3.0
-	-	-	Connection points ('000) (at 30/06)	883	873	1.1

In 2017, the company continued to implement its plan to improve operations in Moldova, focusing on processes linked to energy control in the distribution networks, operating processes associated with the entire customer management cycle, and optimisation of facility O&M.

- › Electricity supplied increased by 3.0% in 2017 as consumption increased because of the colder winter this year.

- The number of supply connections totalled 883,415, i.e. an increase of 1.1% with respect to the same period of 2016, primarily as a result of growth in the real estate sector.

4.2.3. Latin America

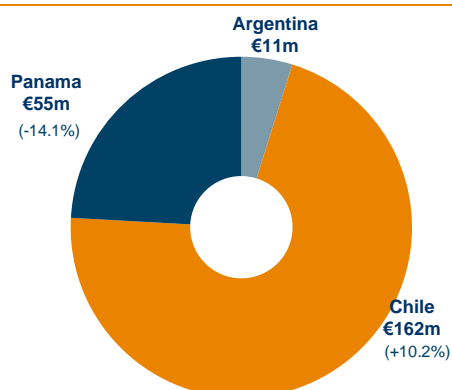
This business involves regulated electricity distribution in Argentina, Chile and Panama, and electricity transmission in Chile.

In 2016, this activity also included electricity distribution in Colombia.

4.2.3.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
841	1,152	-27.0	Net sales	1,714	2,305	-25.6
-633	-832	-23.9	Purchases	-1,299	-1,696	-23.4
-39	-52	-25.0	Net personnel expenses	-73	-100	-27.0
-56	-82	-31.7	Other revenues and expenses	-114	-169	-32.5
113	186	-39.2	EBITDA	228	340	-32.9
-31	-38	-18.4	Depreciation, amortisation and impairment expenses	-63	-76	-17.1
-9	-58	-84.5	Change in operating provisions	-14	-85	-83.5
73	90	-18.9	Operating income	151	179	-15.6

EBITDA in Latin America, by country



EBITDA from electricity distribution in Latin America totalled €228 million. Excluding Colombia's contribution to EBITDA in the first half of 2016, EBITDA in this business would have increased by 6.5%, mainly as a result of the appreciation by the Chilean peso.

At constant exchange rates and in like-for-like terms, excluding Electricaribe, EBITDA would have increased by 0.9%.

EBITDA in Panama amounted to €55 million in 2017, a 16.7% decline at constant exchange rates. This variation was mainly due to refunds to customers of revenues corresponding to the tariff for the period 2002-2006, to a greater impact of power losses, and to other effects on the price, notably the higher revenues received in the first half of 2016 as a result of recognition, by the regulator, of extraordinary generation costs corresponding to the year 2015.

EBITDA in Chile and Argentina (CGE) amounted to €173 million, a €13 million increase at constant exchange rates.

4.2.3.2. Main aggregates

2Q17	2Q16	%		1H17	1H16	%
5,271	8,565	-38.5	Electricity activity sales (GWh)	10,951	17,435	-37.2
4,828	8,039	-39.9	Electricity sales	10,130	16,325	-37.9
443	526	-15.8	TPA	821	1,110	-26.0
26	45	-42.2	Connection points ('000) (at 30/06)	3,676	6,181	-40.5

Electricity sales amounted to 10,951 GWh, a 37.2% decline, basically due to deconsolidating Electricaribe (Colombia). But for that effect, sales would have risen by 1.2%.

Sales in Panama increased slightly (+0.4%) in year-on-year terms. Temperatures in the first half of the year were above the historical average, which attenuated growth in consumption.

The main physical aggregates by country in the first half of 2017 are as follows:

	Argentina	Chile	Panama	Total
Electricity activity sales (GWh)	977	7,446	2,528	10,951
Change vs. 1H16 (%)	-2.0	2.0	0.4	-37.2
Connection points ('000) (at 30/06)	224	2,824	628	3,676
Change vs. 30/06/2016 ('000)	6	78	25	-2,505

The increase in sales and in connection points (excluding the impact of deconsolidating Electricaribe) reflects sustained growth in the electricity distribution business in Latin America.

Electricity transmission in Chile

2Q17	2Q16	%		1H17	1H16	%
3,521	3,602	-2.2	Electricity transmitted (GWh)	7,396	7,531	-1.8
-	-	-	Transmission network (km)	3,528	3,528	-

Power transmission in Chile decreased by 1.8% year-on-year, mainly due to lower activity in the first half. The transmission grid is 3,528 km long, the same as at 30 June 2016.

4.3. Gas

4.3.1. Infrastructure

This area includes operating the Maghreb-Europe gas pipeline as well as gas exploration, production, storage and regasification.

4.3.1.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
78	79	-1.3	Net sales	164	159	3.1
-	-1	-	Purchases	-	-1	-
-2	-1	-	Net personnel expenses	-3	-2	50.0
-4	-6	-33.3	Other revenues and expenses	-8	-10	-20.0
72	71	1.4	EBITDA	153	146	4.8
-12	-12	-	Depreciation, amortisation and impairment expenses	-25	-24	4.2
-	-	-	Change in operating provisions	-	-	-
60	59	1.7	Operating income	128	122	4.9

Net sales in the infrastructure business totalled €164 million in the first half of 2017, a 3.1% increase.

EBITDA increased by 4.8% year-on-year to €153 million, mainly as a result of the increase in the international shipping tariff on the Maghreb-Europe pipeline and the positive USD exchange rate effect.

4.3.1.2. Main aggregates

The main aggregates in international gas transportation are as follows:

2Q17	2Q16	%		1H17	1H16	%
20,720	28,136	-26.4	Gas transportation-EMPL (GWh)	49,433	52,299	-5.5
10,068	10,506	-4.2	Portugal-Morocco	20,441	19,988	2.3
10,652	17,630	-39.6	Spain (Gas Natural Fenosa)	28,992	32,311	-10.3

The gas transportation activity conducted in Morocco through companies EMPL and Metragaz represented a total volume of 49,433 GWh, 5.5% less than in the same period last year. Of that figure, 28,992 GWh were shipped for Gas Natural Fenosa through Sagane and 20,441 GWh for Portugal and Morocco.

Gas Natural Fenosa owns 14.9% of Medgaz, the company that owns and operates the Algeria-Europe subsea gas pipeline connecting Beni Saf with the Almería coast (capacity: 8 bcm/year). That capacity is associated with a new supply contract amounting to 0.8 bcm/year. A total of 3,790 GWh were shipped via the Medgaz pipeline for Gas Natural Fenosa in 1H17.

The company currently has 916 GWh of company-owned gas storage capacity. A number of works (pipeline replacement and initial well drilling) have been completed on one of the projects to increase storage capacity, as part of the exploration, production and storage projects that Gas Natural Fenosa plans for the Guadalquivir Valley in the coming years. The other four projects are at various stages of the permit process.

4.3.2. Supply

This business includes wholesale gas procurement and supply both in the Spanish liberalised market and in other countries, maritime shipping, retail supply of gas and other related products and services in the liberalised market in Spain and Italy, and supply of gas at the last-resort tariff (TUR) in Spain.

4.3.2.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
2,271	1,831	24.0	Net sales	5,349	4,368	22.5
-2,061	-1,623	27.0	Purchases	-4,903	-3,936	24.6
-21	-18	16.7	Net personnel expenses	-41	-37	10.8
-68	-64	6.3	Other revenues and expenses	-133	-118	12.7
121	126	-4.0	EBITDA	272	277	-1.8
-19	-14	35.7	Depreciation, amortisation and impairment expenses	-38	-28	35.7
-8	-11	-27.3	Change in operating provisions	-20	-23	-13.0
94	101	-6.9	Operating income	214	226	-5.3

Net sales amounted to €5,349 million, a 22.5% increase with respect to the same period of last year. EBITDA amounted to €272 million, in line with the same period of the previous year.

4.3.2.2. Main aggregates

Wholesale supply

The main aggregates in the wholesale gas supply activity are as follows:

2Q17	2Q16	%		1H17	1H16	%
76,576	66,199	15.7	Gas supply (GWh)	160,943	142,224	13.2
34,366	35,350	-2.8	Spain	74,802	72,836	2.7
25,823	26,723	-3.4	Gas Natural Fenosa supply	55,704	54,314	2.6
8,543	8,627	-1.0	Supply to third parties	19,098	18,522	3.1
42,210	30,849	36.8	International	86,141	69,388	24.1
16,834	14,929	12.8	Rest of Europe	37,275	35,324	5.5
25,376	15,920	59.4	International LNG	48,866	34,064	43.5
-	2,736	-	Gas carrier fleet capacity (m3)	1,095,532	1,034,080	5.9

Wholesale supply by Gas Natural Fenosa totalled 160,943 GWh, a 13.2% increase, basically due to the international business (+24.1%).

Gas Natural Fenosa supplied 74,802 GWh of gas to end customers in Spain, i.e. 2.7% more than in the same period of the previous year.

International gas supply amounted to 86,141 GWh in the first half of 2017, a 24.1% increase year-on-year, driven particularly by international LNG supply.

In the organised market in gas through MIBGAS, DA (day-ahead) and WD (within day) contracts became more firmly established and there was an increase in liquidity driven by actions proposed by the system operator (GTS) to achieve equilibrium in the gas balance; Gas Natural Comercializadora is one of the few active participants in this market. Additionally, the figure of "voluntary market maker" was created in January 2017, giving the market greater liquidity and depth.

In the first quarter of 2017, Gas Natural Fenosa participated in the auction for underground storage capacity for the period from April 2017 to March 2018. Gas Natural Fenosa was awarded 10.3 TWh of capacity, i.e. 46.2% of the total capacity contracted via direct assignment.

Gas Natural Europe has a strong position in natural gas supply in Europe, with a presence in France, Belgium, Ireland, Italy, Luxembourg, Portugal, the Netherlands and Germany. It is also an active trader in these countries' liquid markets, enabling Gas Natural Fenosa to optimise its position and seize opportunities in European markets.

Sales in France in 2017 amounted to 19.5 TWh, to customers in numerous segments such as industry, local government and the public sector. Sales in Belgium, Luxembourg, the Netherlands and Germany amounted to 9.0 TWh in the same period.

Gas Natural Fenosa is also active in the wholesale market in Italy and Ireland, where it sold 4.8 TWh and 0.8 TWh, respectively, in the first half of 2017.

Gas Natural Fenosa is still Portugal's second-largest operator (and its largest foreign operator), with a 15% market share, and it sold 3.1 TWh in the first half of 2017. Its activities are focused in the industrial market, where it has a share of over 17%.

The company continues to diversify into international markets, having sold gas in the Americas and Asia. This strengthens the company's presence in the main international LNG markets, providing it with a medium-term position in growing countries and new markets.

Retail supply

The main aggregates in the retail gas procurement and supply activity are as follows:

2Q17	2Q16	%		1H17	1H16	%
-	-	-	Retail contracts (Spain) ('000, at 30/06)	11,740	11,681	0.5
-	-	-	Energy contracts	8,856	8,865	-0.1
-	-	-	Energy services contracts	2,884	2,816	2.4
-	-	-	Contracts per customer (Spain)	1.52	1.51	0.7
-	-	-	Retail supply (GWh)	55.0	55.9	-0.9 p.p.
3,738	4,833	-22.7	Spain	17,878	18,735	-4.6
3,303	4,535	-27.2	Italy	15,792	16,850	-6.3
435	298	46.0	Retail contracts (Spain) ('000, at 30/06)	2,086	1,885	10.7

In the retail market, Gas Natural Fenosa focuses on meeting its customers' energy needs. With a range of quality products and services, it has 12.3 million active gas, electricity and maintenance contracts, of which 579 thousand are in Italy.

In the Italian retail market, Gas Natural Fenosa has a portfolio of 434,753 gas supply contracts and 52,272 electricity supply contracts, with an overlap of 27 thousand between the two. Additionally, 91,856 customers have a maintenance contract.

Gas Natural Fenosa provides a comprehensive service by integrating the supply of both energies (gas and electricity) with maintenance services to achieve efficiencies and enhance customer satisfaction; it supplies both energies to over 1.5 million homes, a large percentage of which have a maintenance contract in place.

With a strong focus on continued growth in the retail business, the company sells products and services throughout Spain, having signed 849 thousand new contracts in 2017.

In the residential market, Gas Natural Fenosa updates its product portfolio in order to offer electricity and natural gas tariffs that fit each customer's profile. New products meet customer needs in terms of usage, how they wish to pay, when they use energy and whether they are interested in consuming renewable energy.

In the highly competitive SME market, Gas Natural Fenosa is adapting to customers' needs by expanding customised price offers in this segment, which attained 1.5 TWh/year in the second quarter. It also expands, updates and pursues flexibility in its product portfolio in order to match customer profiles as closely as possible through products indexed to pool prices, fixed-price products for business, and eco-type products.

In the SME segment, Gas Natural Fenosa distinguishes itself from competitors by offering its Energy Saving Service, which enables customers to optimise their contracted power and save. Over 114,000 SME customers have received consulting services in 2017. Additionally, the portfolio of gas and electricity maintenance services for SMEs continues to expand, having attained 28,000 contracts.

The broad, diversified offering of services for residential and SME customers has enabled the company to increase the number of active contracts to 2.8 million, managed through the group's own operating platform with 112 associated firms connected via an online system, through which it provides an excellent service and satisfies even the most demanding customers. As a result of this performance, the portfolio of energy and services contracts in the retail segment increased in value.

Gas Natural Fenosa remains committed to innovation to meet and even anticipate its customers' expectations by adding new functionalities in all digital channels, such as the ability to buy services and receive customer care online; its online platform receives 6 million queries per year.

Gas Natural Fenosa continues to develop its own network of natural gas service stations that are open to the public; at the end of June 2017, it had 49 service stations (both compressed and liquefied natural gas). A total of 28 stations are open to the public and 21 are private.

The integrated energy services solutions business continues to expand. A survey conducted by DBK identified Gas Natural Servicios as market leader in energy services.

Unión Fenosa Gas

Gas supplied in Spain by Unión Fenosa Gas⁴ (equity method) amounted to 21,885 GWh in 1H17, compared with 17,083 GWh in the first half of the previous year. Additionally, a total of 12,537 GWh of energy was traded in international markets in the first half of 2017, compared with 10,792 GWh in 2016.

⁴ Assuming 100%.

4.4. Electricity

4.4.1. Spain

This area basically includes power generation in Spain, wholesale and retail electricity supply in the liberalised market in Spain, and electricity supply at the Small Consumer Voluntary Price (PVPC).

4.4.1.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
1,134	1,236	-8.3	Net sales	2,486	2,573	-3.4
-886	-884	0.2	Purchases	-1,915	-1,834	4.4
-34	-34	-	Net personnel expenses	-68	-68	-
-150	-147	2.0	Other revenues and expenses	-313	-295	6.1
64	171	-62.6	EBITDA	190	376	-49.5
-112	-133	-15.8	Depreciation, amortisation and impairment expenses	-224	-263	-14.8
-4	-9	-55.6	Change in operating provisions	-11	-20	-45.0
-52	29	-279.3	Operating income	-45	93	-148.4

Net sales in the electricity business in Spain amounted to €2,486 million, 3.4% less than in the same period of the previous year, while EBITDA amounted to €190 million, 49.5% less than in the same period last year.

EBITDA performance was shaped by weather, as Gas Natural Fenosa's hydroelectric output shrank by 77.3%, since 2017 is proving to a very dry year, in contrast with 2016, which was classified as very wet. It was also affected by higher taxes caused by high market prices.

Depreciation, amortisation and impairment expenses amounted to €224 million, a decline of €39 million (-14.8%) with respect to the same period of the previous year, basically because of extending the useful lives of the combined cycle plants from 25 to 35 years on 1 January 2017 following technical surveys completed in the first quarter, in line with the practices adopted by the leading players in the industry.

Market situation

Electricity demand in mainland Spain amounted to 60,883 GWh in the second quarter of 2017, an increase of 1.6% with respect to the same period of 2016, continuing the upward trend of the last four quarters.

Overall, demand in the first half of 2017 was 1.1% higher than in the same period of the previous year (1.6% after adjusting for the leap year effect).

Performance in the individual months was varied: a sharp decline in April (-5.5%, due to the change in the date of Easter) followed by growth in May (+3.3%) and, above all, June (+7.1%), affected by the heatwave in mainland Spain.

Peak capacity usage in one hour in 2Q17 was registered on 22 June: 39,096 MW, i.e. far higher than the 35,697 MW attained in the same quarter of 2017 (28 June 2016) but still well below the all-time summer record of 40,934 MW reached in July 2010.

The balance of international power flows was a net import in physical terms: 3,607 GWh in the second quarter of 2017 (vs. 1,739 GWh imported in the same quarter of the previous year). Power was imported in all three months, ranging from 1,041 GWh in April to 1,445 GWh in May.

The balance of interchanges amounted to 5,073 GWh in the first half of 2017, compared with 3,723 GWh in the same period of the previous year.

Consumption for pumped storage amounted to 740 GWh in 2Q17, i.e. 41.7% less than in the same quarter of 2016 (1,270 GWh). Year-to-date consumption for pumped storage amounted to 2,069 GWh, i.e. 40.4% less than in 1H16 due to high market prices in comparison with the first half of last year.

Net domestic electricity output amounted to 58,262 GWh (a 2.5% decrease) in the second quarter of 2017. The reduction was 1.2% in the first half of 2016.

Compared with the same quarter of 2016, renewable output fell by 28.3% and covered 35.0% of total demand in 2Q17, i.e. 14.7 points less than in the same period of 2016. Renewable output declined by 25.8% in the first half of 2017 and covered 36.4% of demand, compared with 49.6% in 2016.

Wind power output fell by 6.8% in the quarter with respect to the same quarter last year, with declines in all three months, particularly May. Wind covered 17.7% of demand in the quarter, 2.4 percentage points less than in the same quarter in 2016. Wind output in the first half amounted to 25,184 GWh (-12.0%) and covered 20.1% of demand, three points less than in the same period of 2016.

Output by other renewables declined by -42.0% in the quarter, including a -63.1% reduction in conventional hydroelectric output. In contrast, output by other technologies increased. In 2017, renewable thermal output increased by 10.9%, solar photovoltaic by 5.5% and solar thermal by 8.9%, while hydroelectric decreased by -51.7% (conventional hydro -54.7% and other hydro -34.7%).

In terms of hydroelectric energy capability, the second quarter of 2017 was rated as very dry, with an exceedance probability of 95% when compared with the historical average; i.e. statistically, 95 out of every 100 years would be wetter. The quarter tended to become drier as it advanced.

Non-renewable output increased by 23.1% year-on-year in 2Q17, with growth in all technologies except nuclear. The increase in the first half was 22.8%.

The thermal gap expanded in 2Q17 by 86.0%, achieving coverage that was 12 points higher than in the same period of 2016. Year-to-date, the increase was 67.7%, i.e. 10.2 points higher than in the same period of 2016 (25.7% vs. 15.5%).

Nuclear was the only non-renewable technology that experienced a decline in output in the quarter: -4.6%, affected by changes in the calendar of scheduled shutdowns. Year-to-date, nuclear output increased by 3.3%.

Coal-fired production increased by 143.0% in the quarter, and by 98.8% year-to-date. Year-to-date, utilisation of the former capacity guarantee units was 39%, compared with 55% for other coal-fired units.

In the second quarter of 2017, CCGT output increased by 36.2% with respect to the same period of 2016; as a result, output in the first half of 2017 increased by 33.3%. CCGT output covered 10.2% of demand in the quarter and 9.7% in the first half, i.e. 2.5 points more than in the first half of 2016.

Other non-renewable thermal, cogeneration and waste-to-power experienced an increase of 9.4% in 2Q17 with respect to 2Q16, and of 11.3% in 1H17.

The weighted average price in the daily power generation market was €47.79/MWh in the second quarter of 2017, i.e. €17.51 more than in 2Q16 (€30.28/MWh). Year-to-date, the weighted average price in the electricity pool was €52.89/MWh, i.e. 72% more than in the same period of 2016.

Average daily prices in the quarter ranged from €16.51/MWh on 30 April up to €57.24/MWh on 21 June. Monthly prices went from €44.14/MWh in April through €47.67 in May to €50.83/MWh in June.

Brent crude slipped from an average of \$53.69/bbl in the first quarter of 2017 to \$49.64/bbl (-7.5%) in the second quarter, continuing the month-on-month decline that commenced in late February. API 2, Europe's main coal price indicator, decreased by \$4.16/ton in the quarter, from an average of \$80.75/ton in the first quarter of 2017 to \$76.59/ton in the second quarter; the price declined steadily until mid-May, when it began to recover. Nevertheless, the average price in the second quarter of 2017 was still 59% higher than in the year-ago quarter. The price of CO₂ emission rights (EUAs on Bluenext) was €4.80/ton, 6.8% less than the €5.15/ton average in the previous quarter.

4.4.1.2. Main aggregates

The main aggregates in Gas Natural Fenosa's electricity business in Spain were as follows:

Power generation capacity

	30/06/17	30/06/16	%
Installed capacity (MW)	12,716	12,714	-
Generation	11,569	11,569	-
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	2,010	2,010	-
CCGT	7,001	7,001	-
Renewables and Cogeneration	1,147	1,145	0.2
Wind	979	977	0.2
Small hydroelectric	110	110	-
Cogeneration and others	58	58	-

Electricity generated and sold

2Q17	2Q16	%		1H17	1H16	%
5,886	5,685	3.5	Electricity produced (GWh)	13,161	12,767	3.1
5,351	5,068	5.6	Generation	11,895	11,270	5.5
272	1,351	-79.9	Hydroelectric	737	3,244	-77.3
960	1,012	-5.1	Nuclear	2,185	2,104	3.8
1,163	414	-	Coal	2,832	936	-
2,956	2,291	29.0	CCGT	6,141	4,986	23.2
535	617	-13.3	Renewables and Cogeneration	1,266	1,497	-15.4
397	441	-10.0	Wind	987	1,135	-13.0
118	160	-26.3	Small hydroelectric	240	334	-28.1
20	16	25.0	Cogeneration and others	39	28	39.3
8,260	9,112	-9.4	Electricity sales (GWh)	17,284	18,107	-4.5
7,203	7,960	-9.5	Liberalised market	14,674	15,454	-5.0
1,057	1,152	-8.2	Small Consumer Voluntary Price System (PVPC)	2,610	2,653	-1.6
-	-	-	Generation market share (%)	16.5	15.7	0.8 p.p.

Gas Natural Fenosa generated 5,886 GWh of electricity in mainland Spain in the second quarter of 2017, i.e. 3.5% more than in the same period of 2016. Of that figure, 5,351 GWh were from conventional sources, a 5.6% increase with respect to the same period last year. Output year-to-date increased by 3.1%, or 5.5% considering only conventional generation.

Conventional hydroelectric output totalled 272 GWh in the quarter, 79.9% less than in the same period of 2016; the decline year-to-date is 77.3%.

The first quarter of 2017 was very dry, and the situation worsened in the second quarter, with the result that 2017 is being classified as an extremely dry year, with an exceedance probability of 99%, i.e. in statistical terms, 99 out of every 100 years would be wetter.

Reservoirs in the Gas Natural Fenosa watersheds were at 34% of capacity, 21 points lower than at the same point in 2016.

Nuclear output declined by 5.1% in 2Q17 with respect to 2Q16, although the figures are affected by changes in the dates of scheduled shut-downs. Nuclear output increased by 3.8% in the first six months of 2017.

Coal-fired output totalled 1,163 GWh in the quarter, compared with 414 GWh in the same period of 2016. Overall, coal-fired output has tripled in 2017, having increased by 202.6%, with 33% total capacity utilisation.

CCGT output in the second quarter of 2016 totalled 2,956 GWh, 29.0% more than in the same period of 2016. In the first half of 2017, CCGT output is up 23.2%. Gas Natural Fenosa's CCGT utilisation in the first half was 20%, almost double that of the industry as a whole.

Emissions⁵ of CO₂ in the second quarter of 2017 from Gas Natural Fenosa's coal-fired power plants and CCGTs that are affected by the regulation governing greenhouse gas emission trading totalled 5 million tons (+2.1 million tons with respect to the same period of 2016). This significant increase was due mainly to greater utilisation of coal-fired plants.

Gas Natural Fenosa applies a comprehensive approach to its portfolio of CO₂ emission rights for the post-Kyoto (2013-2020) period, acquiring the necessary emission rights and credits through active participation in the secondary market.

Gas Natural Fenosa's share of conventional output was 16.5% in the first half of 2017, 0.8 points more than in the same period of 2016.

As for electricity supply, 8,260 GWh were sold in the second quarter of 2016, including sales to the liberalised market and under the last resort tariff, with the result that supply is down 4.5% year-on-year in the first half of 2017. The electricity supply portfolio is in line with Gas Natural Fenosa's strategy of maximising margins, optimising market share, and hedging against price variations in the electricity market.

In the area of renewables and cogeneration, in 2017 Gas Natural Fenosa Renovables (GNF Renovables) commenced construction of 7 of the 13 wind farms registered under the maximum quota of 450 MW authorised by the Ministry of Industry, Energy and Tourism for the Canary Islands. These 7 farms under construction will have a combined installed capacity of 27 MW. This capacity will enjoy a special remuneration system, conditional upon it being commissioned by 31 December 2018. At the same time, work continues to obtain the necessary permits to begin building the other 6 wind farms in the second half of 2017.

Additionally, Gas Natural Fenosa was awarded a total of 667 MW of wind capacity in an auction held by the Spanish government on 17 May 2017, in which the leading domestic energy companies and numerous developers participated. Gas Natural Fenosa obtained 22% of the auctioned capacity, which enhances the group's pipeline, on which it has been working in recent years, enabling it to configure a very competitive, optimised portfolio of projects. The development and construction of these projects will cost a maximum of €700 million and they must be commissioned by December 2019.

⁵ Greenhouse gases

Renewable and cogeneration output in the second quarter of 2017 (535 GWh) was lower than in the same period of 2016 (617 GWh). This reduction was due mainly to lower winds, with the result that wind output was 44 GWh lower, while lower precipitation reduced hydroelectric output by 42 GWh. As for cogeneration, the higher market prices made it possible to increase operating hours at the two operational plants, boosting output by 4 GWh with respect to the previous quarter.

At 30 June 2017, GNF Renovables had a consolidable total operational capacity of 1,147 MW, of which 979 MW are wind, 110 MW are small hydroelectric and 58 MW are cogeneration and photovoltaic. Those figures include the 43 MW of slurry-based cogeneration plants that are in liquidation.

The Ministerial Order establishing the criteria for remunerating cogeneration plants based on slurry was published in June 2017. The first impact of this publication is that part of the remuneration that was repaid to the CNMC in 2014-2016 amounting to €8 million. The Order also makes it possible to make decisions as to bringing this cogeneration technology, which is currently mothballed, back into production either fully or partially.

4.4.2. International

Encompasses all of the international power generation assets and holdings in Mexico, Puerto Rico, the Dominican Republic, Panama, Costa Rica and Kenya and its power generation projects in Australia, Chile and Brazil, as well as assets operated for third parties via group company O&M Energy.

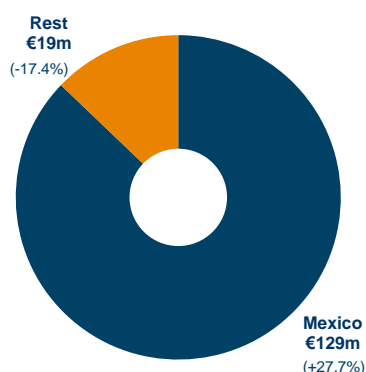
4.4.2.1. Results

2Q17	2Q16	%	(€ Mn)	1H17	1H16	%
238	178	33.7	Net sales	466	353	32.0
-134	-86	55.8	Purchases	-259	-166	56.0
-10	-12	-16.7	Net personnel expenses	-20	-22	-9.1
-17	-18	-5.6	Other revenues and expenses	-39	-41	-4.9
77	62	24.2	EBITDA	148	124	19.4
-33	-33	-	Depreciation, amortisation and impairment expenses	-64	-65	-1.5
-	-	-	Change in operating provisions	-	-	-
44	29	51.7	Operating income	84	59	42.4

Electricity International EBITDA in 1H17 amounted to €148 million, up 19.4% compared with the previous year, due mainly to higher ebitda contribution of Mexico.

Depreciation, amortisation and impairment expenses amounted to €64 million, a decline of 1.5% with respect to the same period of the previous year, basically because of extending the useful lives of the combined cycle plants from 25 to 35 years on 1 January 2017 following technical surveys completed in the first quarter, in line with the practices adopted by the leading players in the industry, partly offset by foreign currency conversion effect.

EBITDA, by country



EBITDA in Mexico increased by 27.7% because the contribution margin increased, basically due to higher spare capacity, better availability, better performance, and favourable trends in the contracts' benchmark indices. Additionally, results at Bii Hioxo improved due to more efficient management of the sales mix.

EBITDA in the Dominican Republic declined by 26.8% due to the impact on margins of lower output and lower spot prices after expiration of the PPA⁶ with the distribution companies.

EBITDA in Panama increased by 15.9% due to higher precipitation in the areas where the plants are located.

Kenya experienced a 20.4% year-on-year increase in EBITDA as output increased due to greater dispatching.

4.4.2.2. Main aggregates

Power generation capacity

	30/06/17	30/06/16	%
Installed capacity (MW)	2,702	2,702	-
Mexico (CCGT)	2,035	2,035	-
Mexico (wind)	234	234	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-
Kenya (oil-fired)	112	112	-

Electricity generated

2Q17	2Q16	%		1H17	1H16	%
4,779	4,417	8.2	Electricity generated (GWh)	9,065	8,657	4.7
4,234	3,888	8.9	Mexico (CCGT)	7,925	7,509	5.5
83	125	-33.6	Mexico (wind)	306	387	-20.9
117	104	12.5	Costa Rica (hydroelectric)	196	170	15.3
20	20	-	Panama (hydroelectric)	38	33	15.2
254	241	5.4	Dominican Republic (oil-fired)	466	485	-3.9
71	39	82.1	Kenya (oil-fired)	134	73	83.6

Availability factor (%)

	1H17	1H16	Chg. p.p.
Mexico (CCGT)	95.6	89.2	6.4
Costa Rica (hydroelectric)	96.8	94.1	2.7
Panama (hydroelectric and oil-fired)	90.1	92.7	-2.6
Dominican Republic (oil-fired)	92.1	89.5	2.6
Kenya (oil-fired)	97.8	95.1	2.7

⁶ PPA: Power Purchase Agreement

Output in Mexico increased year-on-year as a result of the different schedule of maintenance shutdowns and greater sales of surplus energy, mainly from Norte Durango and Tuxpan, which began selling surplus power in February 2017. These effects were offset by lower output at Bii Hioxo because of lower winds. Differences in maintenance calendars between years resulted in higher availability than last year.

Hydroelectric output in Costa Rica was favoured by higher precipitation. As discussed in section 2.2.3, the Costa Rica concessions are accounted for as finance leases in accordance with IFRIC 12.

Higher output in Panama was the result of greater precipitation as the first quarter of 2016 was especially dry in the areas where the plants are located. The lower availability with respect to last year is attributable to that fact that the Los Algarrobos hydroelectric plant underwent its annual overhaul in the second quarter of 2017.

Output in the Dominican Republic declined year-on-year due to higher hydroelectric generation and to the withdrawal of the more efficient plants from the system in 2016.

Oil-fired output in Kenya was higher than in the same period of 2016 as a result of increased dispatching this year due to withdrawal of the more efficient plants from the system.

Ecoeléctrica

Ecoeléctrica, the CCGT plant in Puerto Rico (equity accounted), increased its contribution to the consolidated figures in 2Q17 to €29 million (from €21 million) as a result of higher capacity revenues. Output in the first half of 2017 amounted to 1,636 GWh (100%), in line with the same period of 2016 (1,646 GWh).

Regulatory disclosures

Summarised below are the regulatory disclosures to the Comisión Nacional del Mercado de Valores (CNMV) since 1 January 2017:

- › Gas Natural Fenosa completes a €1,000 million bond issue (disclosed 11 January 2017, registration number 246991).
- › Gas Natural Fenosa files the invitation to the presentation of earnings for 2016 (disclosed 20 January 2017, registration number 247308).
- › Gas Natural Fenosa publishes its 2016 results (disclosed 8 February 2017, registration number 247971).
- › Gas Natural Fenosa files the presentation of earnings for 2016 (disclosed 8 February 2017, registration number 247975).
- › Gas Natural Fenosa publishes its Annual Corporate Governance Report for 2016 (disclosed 10 February 2017, registration number 248047).
- › Gas Natural Fenosa publishes its Annual report on director remuneration for 2016 (disclosed 10 February 2017, registration number 248048).
- › Gas Natural Fenosa discloses information on earnings for the second half of 2016 (disclosed 10 February 2017, registration number 248051).
- › The Board of Directors of Gas Natural Fenosa gives notice of the Ordinary Shareholders' Meeting (disclosed 8 March 2017, registration number 249300).
- › Gas Natural Fenosa publishes a press release on the measures adopted by the Colombian authorities with respect to Electricaribe (disclosed 14 March 2017, registration number 249527).
- › Gas Natural Fenosa files notice of the Ordinary Shareholders' Meeting for 20 April 2017 (disclosed 15 March 2017, registration number 249538).
- › Gas Natural Fenosa discloses information on the tender offer for bonds (disclosed 28 March 2017, registration number 250049).
- › Gas Natural Fenosa completes a €1,000 million bond issue (disclosed 28 March 2017, registration number 250066).
- › Gas Natural Fenosa announces a change in the date of publication of its 1Q17 earnings to 12 May 2017 (disclosed 5 April 2017, registration number 250334).
- › Gas Natural Fenosa discloses the indicative results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and guaranteed by Gas Natural SDG, S.A. (disclosed 5 April 2017, registration number 250340).
- › Gas Natural Fenosa discloses the final results of the tender offer to holders of bonds issued by Gas Natural Capital Markets, S.A. and guaranteed by Gas Natural SDG, S.A. (disclosed 5 April 2017, registration number 250360).
- › Gas Natural Fenosa completes a €1,000 million bond issue (disclosed 11 April 2017, registration number 250658).
- › Gas Natural Fenosa files a copy of the presentation used at the press conference before the Ordinary Shareholders' Meeting (disclosed 20 April 2017, registration number 250894).

- › Gas Natural Fenosa announces that the Ordinary Shareholders' Meeting has approved all proposals contained in the agenda that was submitted by the Board of Directors (disclosed 20 April 2017, registration number 250917).
- › Gas Natural Fenosa publishes the invitation to the 1Q17 earnings presentation (disclosed 27 April 2017, registration number 251215).
- › Gas Natural Fenosa discloses information on earnings for the first quarter of 2017 (disclosed 12 May 2017, registration number 251988).
- › Gas Natural Fenosa files the presentation of earnings for the first quarter of 2017 (disclosed 12 May 2017, registration number 252024).
- › Gas Natural Fenosa was awarded 667 MW of wind capacity (disclosed 18 May 2017, registration number 252164).
- › Gas Natural Fenosa presents the Employee Share Ownership Plan 2017 (disclosed 19 May 2017, registration number 252280).
- › Gas Natural Fenosa files the invitation to the presentation of earnings for the first half of 2017 (disclosed 10 July 2017, registration number 254405).

Annexes. Financial statements

- › GAS NATURAL FENOSA: CONSOLIDATED INCOME STATEMENT
- › GAS NATURAL FENOSA: BREAKDOWN BY BUSINESS AREA
- › GAS NATURAL FENOSA: CONSOLIDATED BALANCE SHEET
- › GAS NATURAL FENOSA: CONSOLIDATED CASH FLOW STATEMENT

Consolidated income statement

(€ Mn)	1H17	1H16
Net sales	12,283	11,409
Purchases	-8,726	-7,556
Gross income	3,557	3,853
Other operating revenues	136	131
Net personnel expenses	-501	-506
Taxes	-234	-236
Other operating expenses	-782	-785
EBITDA	2,176	2,457
Other results	-	-
Depreciation, amortisation and impairment expenses	-843	-868
Change in operating provisions	-64	-142
Operating income	1,269	1,447
Net financial income	-347	-415
Income from disposal of financial instruments	-	-
Profit/(loss) of entities recognised by the equity method	7	-11
PROFIT/(LOSS) BEFORE TAXES	929	1,021
Income tax expense	-218	-240
Income from discontinued operations	-	30
Non-controlling interests	-161	-166
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	550	645

Breakdown by business area

EBITDA

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	412	470			
Spain	225	214			
Italy	14	15			
Latin America	173	241			
ELECTRICITY DISTRIBUTION	270	276			
Spain	143	159			
Moldova	12	4			
Latin America	115	113			
GAS	232	193			
Infrastructure	81	72			
Supply	151	121			
ELECTRICITY	197	141			
Spain	126	64			
International	71	77			
REST	-7	-8			
TOTAL EBITDA	1,104	1,072			

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	388	442	440	460	1,730
Spain	215	209	229	236	889
Italy	14	15	15	18	62
Latin America	159	218	196	206	779
ELECTRICITY DISTRIBUTION	319	349	343	323	1,334
Spain	152	151	154	146	603
Moldova	13	12	10	7	42
Latin America	154	186	179	170	689
GAS	226	197	196	226	845
Infrastructure	75	71	75	77	298
Supply	151	126	121	149	547
ELECTRICITY	267	233	243	229	972
Spain	205	171	177	162	715
International	62	62	66	67	257
REST	16	20	-39	92	89
TOTAL EBITDA	1,216	1,241	1,183	1,330	4,970

Investment in property, plant and equipment and intangible assets

(€ Mn)	1Q17	2Q17	3Q17	4Q17	2017
GAS DISTRIBUTION	114	138			
Spain	42	40			
Italy	4	11			
Latin America	68	87			
ELECTRICITY DISTRIBUTION	129	157			
Spain	42	64			
Moldova	1	2			
Latin America	86	91			
GAS	9	21			
Infrastructure	2	3			
Supply	7	18			
ELECTRICITY	62	81			
Spain	23	30			
International	39	51			
REST	6	20			
Total	320	417			

(€ Mn)	1Q16	2Q16	3Q16	4Q16	2016
GAS DISTRIBUTION	119	138	216	555	1,028
Spain	66	66	132	429	693
Italy	5	8	7	11	31
Latin America	48	64	77	115	304
ELECTRICITY DISTRIBUTION	106	146	163	251	666
Spain	45	61	61	98	265
Moldova	-	2	3	8	13
Latin America	61	83	99	145	388
GAS	7	7	216	244	474
Infrastructure	1	1	4	7	13
Supply	6	6	212	237	461
ELECTRICITY	30	46	39	78	193
Spain	17	22	23	43	105
International	13	24	16	35	88
REST	4	26	31	95	156
Total	266	363	665	1,223	2,517

Consolidated balance sheet

(€ Mn)	30/06/17	30/06/16
Non-current assets	37,897	38,329
Intangible assets	10,538	10,590
Property, plant and equipment	23,125	23,626
Equity-accounted affiliates	1,548	1,669
Non-current financial assets	1,787	1,340
Deferred tax assets	899	1,104
	7,203	9,714
Current assets		
Non-current assets available for sale	-	1,099
Inventories	751	721
Trade and other accounts receivable	4,691	4,849
Other current financial assets	306	282
Cash and cash equivalents	1,455	2,763
TOTAL ASSETS	45,100	48,043

(€ Mn)	30/06/17	30/06/16
Equity	18,246	18,793
Equity attributed to equity holders of the parent company	14,609	14,575
Non-controlling interests	3,637	4,218
Non-current liabilities	20,281	20,653
Deferred revenues	847	846
Non-current provisions	1,236	1,438
Non-current financial liabilities	14,485	14,798
Deferred tax liabilities	2,454	2,654
Other non-current liabilities	1,259	917
Current liabilities	6,573	8,597
Liabilities linked to non-current assets available for sale	-	664
Current provisions	132	104
Current financial liabilities	2,857	3,884
Trade and other accounts payable	3,226	3,549
Other current liabilities	358	396
TOTAL NET EQUITY AND LIABILITIES	45,100	48,043

Consolidated cash flow statement

(€ Mn)	1H17	1H16
Cash flow from ordinary activities	1,148	1,799
Income before taxes	929	1,021
Adjustment to result	1,152	1,240
Other operating cash flows	-675	-661
Cash flow from operations	1,406	1,600
Changes in current capital	-258	199
Investing cash flow	-947	-856
Investment payments	-1,005	-912
Divestment receipts	34	32
Other investing cash flow	24	24
Financing cash flow	-721	-571
Receipts/(payments) for equity instruments	-2	-
Receipts/(payments) for financial liability instruments	140	501
Dividends paid and remuneration of other equity instruments	-805	-1,026
Other financing cash flow	-54	-46
Effect of exchange rates on cash and cash equivalents	-92	1
Net variation in cash and cash equivalents	-612	373
Beginning cash and cash equivalents	2,067	2,390
Ending cash and cash equivalents	1,455	2,763

Glossary of terms

Gas Natural Fenosa's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. Below is a glossary of terms with the definition of the APMs.

Alternative performance metrics	Definition
EBITDA	EBIT - Depreciation and amortisation + Period provisions - Other income
Market capitalisation	No. of shares at end of period X Market price at end of period
Earnings per share	Net income for the period / No. of shares at end of period
Gross financial debt	Non-current financial liabilities + Current financial liabilities
Net financial debt	Gross financial debt - Cash and cash equivalents - Derivative financial assets
Leverage	Net financial debt/(Net financial debt + Net equity)
Cost of net financial debt	Cost of financial debt - Interest revenues
P/E	Closing share price / Earnings per share in the last four quarters
EV	Enterprise value, calculated as: Market capitalisation + Net financial debt
Net capital expenditure	Investment in property, plant and equipment, intangible assets and financial assets - Receipts for divestment of property, plant and equipment and intangible assets - Other investing receipts/payments
CFO	Operating cash flows before changes in working capital
Personnel expenses, net	Personnel expenses - Capitalised personnel expenses
Other revenues/expenses	Other operating revenues, Other operating expenses, recognition of fixed asset grants, etc.

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